Email Measurement Explained

Best Practices for Calculating Campaign, Inbox and Email Program Metrics

SPARKPOST

Communication overload has made data measurement and benchmarking non-negotiable for marketers vying to prove the value of their respective channels. Data are the only objective means of measuring activity, performance and impact across customer engagement and communication channels. For many organizations, if you can't prove the ROI for a given channel, chances are company leadership will challenge the budget, which could mean eliminating valuable customer touchpoints.

That's why we created this guide. It's a no-frills, how-to approach to measuring common metrics for benchmarking and reporting email activity. From behaviors at the audience level to more granular campaign details, this guide provides definitions and calculations for a wide variety of email metrics, so users can learn how to calculate them, and understand how each metric maps into the overall customer journey.

Our guide categorizes metrics into three groups:

- Audience Metrics
- Inbox and Deliverability Metrics
- Program and Campaign Metrics



AUDIENCE METRICS

These calculations generally pertain to the subscribers themselves, their email addresses, and other behavioral data. Audience metrics are most interesting to email campaign managers or email marketing managers looking to make adjustments to their mailings based off of subscription preferences and personalization based on interactions with your emails themselves.



INBOX AND DELIVERABILITY METRICS

For statistics on inbox performance and which emails made it to the actual inbox. These metrics might be most interesting to deliverability specialists and more operational roles, but are key indicators of overall list health, sending best practices and engagement.



PROGRAM AND CAMPAIGN METRICS

Encompassing the more “traditional” email metrics, this category includes open and click rates, conversion (purchase) rates, and campaign ROI calculations. Likely more important to email marketing managers and email program managers, these metrics also tell the story to senior team members when reporting on success and profitability of select campaigns and programs.

Many email measurement metrics fall into more than one of these categories, and we’ve noted the overlap where appropriate.

Audience Metrics



NUMBER OF OPTED-IN EMAIL SUBSCRIBERS

- Can be classified as mailable or non-mailable, using best practice and mailer requirements based on recency of acquisition, open or other engagement measure.
- Opt-in record should maintain acquisition source and date of opt-in for privacy purposes.

NEW OPT-INS

- Permissioned subscribers since the end of prior measurement period.

UNSUBSCRIBES/ OPT-OUTS

- Email subscribers who have formally opted-out of receiving the sender's email by clicking on an "unsubscribe" button and confirming that action. Used at the audience level, it is stated as a percentage of average audience size.
- This metric is also used at the individual email campaign level, and usually stated there as a rate taking campaign delivered volume.

PURGED ADDRESSES

- Email addresses eliminated from the sender's subscriber list due to:
  - Dormancy, using sender's business rules, based on length of subscriber inactivity.
  - Address having been classified as a 'hard bounce' (see definition under Program Metrics).
  - Address recipient(s) having marked an associated email as 'spam.'

BASIC PERIOD EMAIL LIST RECONCILIATION

- Reported on a period-to-period basis.
- Calculation:
  - Number of opted-in, mailable subscribers, beginning of period
  - (Plus) number of period opt-ins
  - (Less) number of period opt-outs/unsubscribes
  - (Less) number of purged addresses (per inactivity, hard bounce or spam complaint)
  - (Less) number of addresses deemed unmailable due to inactivity
  - (Equals) Number of opted-in mailable addresses, end of period



AUDIENCE ACTIVITY METRICS

Such metrics are generally considered within a 36-48 month time frame.

They are:

- **Recency**: Number of days since the customer's last purchase.
- **Frequency**: How many purchases has the customer made in the analysis timeframe.
- **Monetary**: How much has the customer spent in that timeframe?

Each of these measures can be shown in simple distributions that reflect the ranking of customers on that measure. For example:

- **Recency**: Quintiled (five equally sized segments) from most to least recent purchase, stated in days.
- **Frequency**: Divided into two categories: 1 visit; 2+ visits.
- **Monetary**: Quintiled from highest to lowest total spending.

Of course, each of these distributions can be considered and applied on its own. But the real power of RFM comes from combining the three measures into one view. This view can then be subdivided to delineate several actionable RFM segments that can be named and ranked based

on their strength or potential, and then treated accordingly. Segment names can be anything descriptive you choose. And there doesn't need to be an airtight scientific basis for making the segment delineations, although they can and should be validated. Integrating these factors can also be accomplished through more sophisticated statistical scoring methods.

What's really important is identifying the customer segments and then creating marketing objectives and programming around them.

A simple analysis and segmentation scheme can look like this:

Recency		Total Spend ($, Net)					
	Frequency	<$30	<$30-51	<$52-77	<$78-116	>=$117	Total
>=900 Days Prior (Oct 2010 - Apr 2011)	1	32,761	27,417	29,104	21,399	15,310	125,991
	2+	1,244	624	963	1,393	2,647	6,871
755-899 Days Prior (May 2011 - Sep 2011)	1	31,886	25,628	25,077	21,743	18,118	122,452
	2+	1,152	878	1,343	1,960	4,033	9,366
551-754 Days Prior (Oct 2011 - Apr 2012)	1	23,469	19,362	25,246	26,441	22,194	116,709
	2+	2,006	1,005	1,645	2,803	8,414	15,873
309-550 Days Prior (May 2012 - Dec 2012)	1	24,615	22,000	25,014	21,689	16,944	110,262
	2+	1,960	1,378	2,359	3,697	12,785	22,179
0-308 Days Prior (Jan 2013 - Oct 2013)	1	23,648	18,810	20,994	28,082	19,062	110,596
	2+	2,060	1,155	1,929	3,326	12,870	21,340
Total		**144,801**	**118,257**	**133,674**	**132,533**	**132,374**	**661,639**

Dormant
132,862 | 20%

Winback
131,818 | 20%

Develop and Migrate
257,650 | 39%

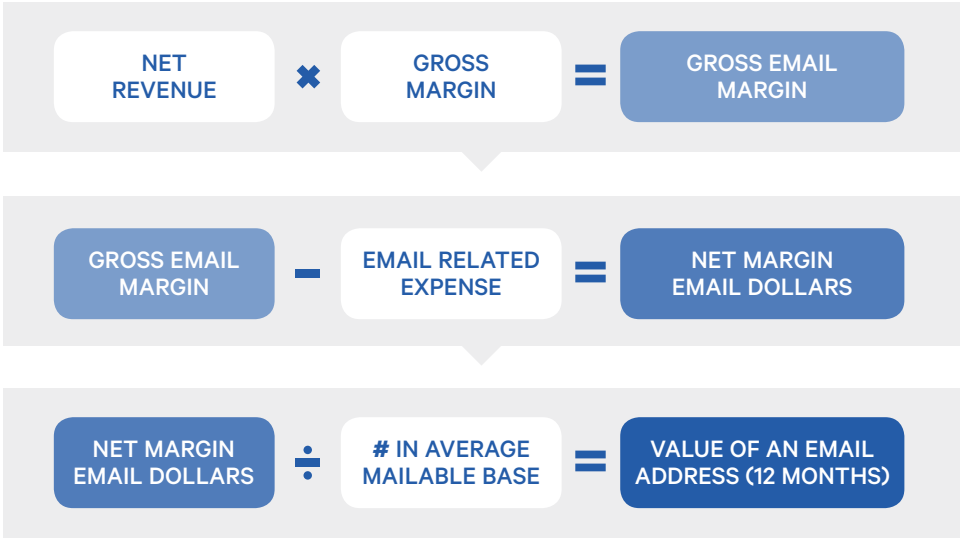
Very Attractive
102,343 | 15%

Best Customers
36,966 | 6%

VALUE OF AN EMAIL ADDRESS (SIMPLIFIED)

Calculated by period (usually one year):

- From among sender's mailable subscriber base, size based on monthly average
- Net revenue generated by emailing into that base for the measurement period (online plus in-store, if multichannel)
- (X) Applicable gross margin rate (per sender's internal Finance)
- (Equals) Gross margin dollars from email activity
- (Less) Email related expense (including period acquisition costs)
- (Equals) Net margin dollars related to email
- (Divided by) Number in average mailable base
- (Equals) Value of an email address – 12 months



Note: For calculations in organizations – like consumer packaged goods – that don't drive direct revenue from their marketing emails, it may be necessary to work with that organization's market research team to estimate the revenue driven by its email subscribers.

LIFETIME VALUE (HIGHLY SIMPLIFIED)

- Multiply product of above calculation by the estimated average number of years that an email subscriber is likely to remain active on the sender's file.

SUBSCRIBER OVERLAP (SPARKPOST PLATFORM METRIC)

- Percentage of a sender's email audience also receiving email from another sender.
- Tracked and reported at the domain level.
- Provides a simple profile of each sender's subscriber interests.

WEEKLY CONTACT FREQUENCY PER SUBSCRIBER

- The number of times per week a sender's average email subscriber receives an email from that sender.

WEEKLY OPEN/READ FREQUENCY PER SUBSCRIBER

- The number of times per week a sender's average email subscriber receives an email from that sender.

Inbox and Deliverability Metrics



BOUNCES / BOUNCE RATE

- **Hard bounces** are addresses that were rejected from the subscriber's mailbox completely. Most common reason? The recipient's address no longer exists. Hard-bounced email addresses are so flagged on sender's file, and are subsequently and permanently unmailable.
- **Soft bounces** are addresses that were rejected from the subscriber's mailbox full. Can be remailed. However, after consecutive delivery attempts have failed, it should be tagged as hard bounced and treated as such.
- **Bounce rates** can be stated either as a percentage of a specific campaign send size, or cumulatively as a percentage of average audience size over a period of time.

INBOX PLACEMENT (%)

- Inbox placement measures the email that made it to the sender's subscriber inboxes instead of the spam or bulk folder.
- At the brand-audience level, this metric is generally stated as a percentage of total aggregate sends for a given period. At the campaign level, it is stated as a percentage of the campaign send volume.

SPAM (%)

- Spam placement measures the percentage of email that was sent to the sender's subcribers' spam/bulk folder instead of the inbox.
- At the brand-audience level, this metric is generally stated as a percentage of total aggregate sends for a given period. At the campaign level, it is stated as a percentage of the campaign send volume.

All inbox and deliverability metrics can be measured at both the audience and campaign levels.

SPAM TRAP HITS

Spam traps or “honey pots” are email addresses that are created or reclaimed for the purposes of identifying spammers or senders with poor list management practices. Two types of spam traps:

- **Pristine** spam traps are email addresses that are created for the purpose of preventing spammers. These addresses are created by mailbox providers, trap providers, and blacklist providers and have **never been valid email addresses**. They are hidden throughout the Internet and almost always picked up by webpage scrapers. Hitting a pristine trap is always bad, and points to questionable list acquisition practices.
- **Recycled** traps are email addresses that at one time were valid, but became dormant and reclaimed by the mailbox provider and turned into a trap address. Hitting a recycled trap is not as bad as a pristine trap hit, but still points to poor list management and hygiene practices.

SPAM COMPLAINT

- A spam complaint is registered when an email recipient hits the “this is spam” button provided by their ISP. The ISP then feeds that complaint back to the sender’s ESP, and any such affected email addresses are usually then purged from the sender’s list, or in any case suppressed from further mailings.

Program/Campaign Metrics

CIRCULATION/ SEND VOLUME

- For a given email campaign (i.e., unique send date/subject line), the total number of deployed emails.
- On the SparkPost platform, the projected campaign volume is a machine-based estimate of the number of recipients in which the email campaign reached the recipient's mailbox - either inbox or spam folder. This estimate is a projection based upon our live user panel of over 1M active email accounts. While we strive to ensure these estimates are accurate to within +/- 20% of actual send volumes, there are times where segmentation or sender skews may cause over or under projections.

TARGETING PERCENTAGE (SPARKPOST PLATFORM METRIC)

- This metric reflects an average file-depth of each brand's mailings for the quarter and shows the extent to which each brand may be targeting its promotional emails. A lower percentage suggests a higher degree of targeting.

EMAIL OPENS/ OPEN RATE

Note: the definition of 'open' varies widely across the industry. It is always wise to understand the derivation of any such metric in a specific reporting context.

- The basic meaning of an email "open" is that the recipient, having seen a campaign's subject line, has done what was necessary to view its content. Opens are tracked on two levels:
  - **Total opens**: The total number of times a campaign's audience has opened that email.
  - **Unique opens**: The total number of individual recipients who have opened a campaign's email. This is considered the better engagement metric.

Thus:

- The **total open rate** is the total number of opens as a percentage of that campaign's send volume.
- The **unique open rate** is the number of unique openers as a percentage of that campaign's send volume.

- The SparkPost platform tracks opens as 'reads' and 'read rates', which do not require image pixels or tracking codes. Instead, we look at the actual IMAP read state of the message itself. It's identical to a message going from **bold** to unbold within an email client. When that subject-line changes to unbold, we track the message as being "read". Additionally, we only track **unique reads**.

CLICK/CLICK RATE

- The total number of clicks on a specific campaign as a percentage of the total number of opens.

UNSUBSCRIBES/ UNSUBSCRIBE RATE A/K/A 'OPT-OUTS'

- At the campaign level, an unsubscribe is registered when an opener clicks on the 'unsubscribe' button usually found in the message footer, and then confirms that opt-out per the sender's opt-out response protocol.
- The unsubscribe rate is the percentage of total opt-outs for that campaign to its total send volume.

INBOX RATE

- Inbox rate measures the email that made it to the sender's subscriber inboxes instead of the spam/bulk folder.
- At the campaign level, this metric is generally stated as a percentage of total campaign send volume for a given period.

▶ *All inbox and deliverability metrics can be measured at both the audience and campaign levels.*

SPAM RATE

- Spam rate measures the percentage of email that was sent to the sender's subscribers' spam or bulk folder instead of the inbox.
- At the campaign level, the spam rate is stated as a percentage of the campaign delivered volume.

DELETES/ DELETE RATE

- A delete occurs when the email recipient selects that email for deletion; i.e., placement in the recipient's trash folder. This deletion can occur either before or after the email is actually opened. Thus, delete events and associated rates are classified separately:
  - **Deleted – not read:** This metric indicates that the user trashed the message and deleted it without ever opening it.
  - **Opened and deleted:** This metric tracks a message that the recipient deleted after opening it.
  - At the campaign level, rates for either type of event are measured as a percentage of that campaign's send size.

CONVERSIONS/ CONVERSION RATE

- "Conversion" means a buying event; i.e., in this context, a campaign's recipient moved to a completed purchase transaction, specifically initiated or clicked-on from the email itself.
- Conversion rate at the campaign level refers to the number of conversion events initiated out of the email itself, as a percentage of that campaign's delivered size.
- Conversion revenue at the campaign level refers to the total net purchases (purchases less returns) initiated out of the email itself.
- In tracking terms, and especially for multi-channel retailers, response measurement should include both online and in-store purchases; i.e., the recipient of an email campaign subsequently makes a purchase from either or both sales channels. There are special tracking and methodological requirements to accomplish this calculation, but these are beyond the purview of this Glossary.
- *As with Opens, it is always wise to understand the derivation of any conversion metric in a specific reporting context.'*

AVERAGE ORDER VALUE (AOV)

- Average order value (AOV) refers to the gross or net sales value of total related transactions, divided by the total number of such transactions.

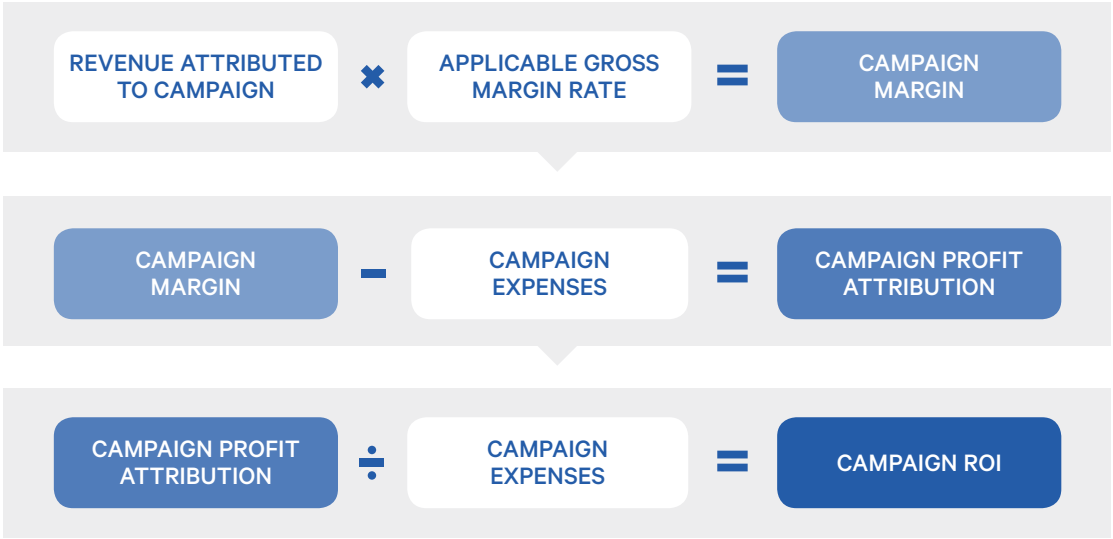
MOBILE METRICS

- These metrics cover email engagement activity occurring on mobile devices; e.g. phones and tablets. They are generally reported and used at the campaign level, but can also be aggregated for a total email audience and time period. They can also be reported at the total and unique levels.
  - **Mobile open rate:** Number of mobile campaign opens as a percentage of total campaign opens.
  - **Mobile click rate:** Number of mobile campaign clicks as a percentage of total campaign clicks.
  - **Mobile conversion rate:** Number of campaign mobile conversions as a percentage of total campaign conversions.

CAMPAIGN PROFITABILITY/ROI

This calculation is based on the sender's ability – and methodology used – to attribute response revenue to a specific email campaign or program. The basic calculation logic is as follows:

- Revenue attributable to campaign
- (X) Applicable gross margin rate (per sender's internal accounting/finance)
- (Equals) Campaign Margin
- (Less) Direct expense attributable to deploying campaign
- (Equals) Campaign Profit Contribution
- (Divided by) Direct Expense attributable to deploying campaign
- (Equals) Campaign ROI



Adding It All Together

Wherever your role falls on the email spectrum, be it practitioner, program manager, executive or beyond, this guide is meant to take a rudimentary look at common metrics that matter most in the email space. Learning what the metrics are, how to calculate them, how to use them, and how they can impact your program will arm you with the necessary tools to make better business decisions around campaign implementation and optimization.

To learn more about SparkPost or to talk with one of our email analytics experts, visit **www.sparkpost.com**





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